

# Foreign Operations of U.S. Industry

## Capital Expenditures, Sales, and Financing

**T**HE latest survey of the foreign operations of U.S. industrial firms,<sup>1</sup> conducted in the summer months by the Office of Business Economics shows the following principal developments:

(1) An increase of 8 percent in plant and equipment expenditures abroad from 1962 to 1963, to a total of \$4.9 billion, with the largest gain in the petroleum industry. For 1964, the company projections indicate some reductions in outlays, but a continued high rate of growth in foreign productive capacity.

(2) Sales of the foreign manufacturing units reached \$28.1 billion in 1962, an increase of \$2.5 billion from the previous year. Outstanding increases were reported for chemicals, electrical machinery and automobiles. Of the total sales, \$1.4 billion were exports to the United States and \$3.2 billion were export sales to third countries (i.e., were sold to foreign countries other than the country of production).

(3) Financing of the foreign affiliates shifted increasingly to non-U.S. sources. A total of \$5.8 billion was required to finance mining, petroleum and manufacturing operations abroad in 1962 (apart from dividends and branch profits paid out). Of this total, 16 percent was supplied directly from parent companies and other U.S. sources, by far the lowest proportion since the collection of these data began in 1957. About 60 percent of the financing required was supplied from internal sources of the foreign affiliates

(earnings and depreciation charges), and about 25 percent from external capital sources abroad.

In the following article these major aspects of the foreign operations of U.S. companies are examined in some

detail. This discussion is closely related to the article on international investments published in the August *SURVEY OF CURRENT BUSINESS*, which gave data on net capital flows, book value, and income as used in the balance of payments accounts. To round out the information necessary to evaluate the overall effects of the expansion of producing units operated by foreign subsidiaries and branches of U.S. firms, a new annual survey is being initiated giving data on exports from the United States to these foreign affiliates.

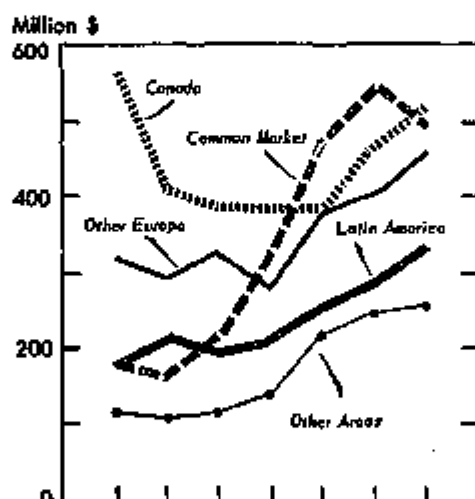
### Plant Expansion Abroad

At midyear, U.S. firms estimated that expenditures for property, plant and equipment by their foreign affiliates would exceed \$4.9 billion during 1963, about 8 percent more than in 1962. This would represent a high volume of capital outlays and compares with \$4.8 billion in 1957, when these surveys began. At the same time, companies projected a decline for 1964 to \$4.5 billion. Actual expenditures in 1962 were \$4.6 billion, slightly less than the \$4.8 billion previously projected for that year. Manufacturing investments exceeded projections, while petroleum outlays fell short.

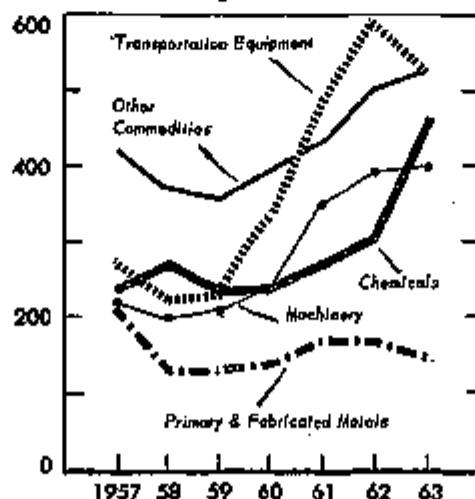
In the past few years projected expenditures for manufacturing companies have been on the low side; this suggests that final totals for this industry in 1963, as well as in 1964, may turn out to be higher than now projected. On the other hand, projections of future capital outlays by oil companies have consistently exceeded actual investment experience. For mining companies, little divergence has been observed between actual and projected capital outlays. It is not

### CAPITAL EXPENDITURES ABROAD BY U.S. MANUFACTURING COMPANIES

- Outlays Are Projected to Rise in Most Areas
- Planned Common Market Expenditures Dip From High Level



### Chemicals Show Strong Growth



U.S. Department of Commerce, Office of Business Economics

63-10-6

1. A representative sample of large U.S. firms (except those in finance or shipping abroad) having foreign branches and subsidiaries is covered, and the results are expanded to universe totals for certain key categories. Data for plant and equipment expenditures are expanded for all industries by area, but country detail is developed only for the three major industries: manufacturing, mining and smelting, and petroleum; data for sales are given only for the manufacturing sector; data for sources and uses of funds are derived only as area aggregates for the three major industries.

yet possible to derive correction factors for these projections of foreign outlays.

*Actual and Projected Plant and Equipment Expenditures Abroad, 1960-64*

(Millions of dollars)

	1960	1961	1962	1963	1964
<b>Manufacturing</b>					
Actual expenditures.....	1,337	1,607	1,040	.....	.....
Expenditures as projected 1 year ahead.....	1,314	1,721	1,560	2,067	.....
Expenditures as projected 2 years ahead.....	na	na	1,700	1,735	1,971
<b>Petroleum</b>					
Actual expenditures.....	1,407	1,524	1,633	.....	.....
Expenditures as projected 1 year ahead.....	1,575	1,776	1,820	1,930	.....
Expenditures as projected 2 years ahead.....	na	na	1,794	1,811	1,953
<b>Mining and smelting</b>					
Actual expenditures.....	420	312	371	.....	.....
Expenditures as projected 1 year ahead.....	338	433	305	321	.....
Expenditures as projected 2 years ahead.....	na	na	467	343	358

na = Not available.

**Manufacturing investments still rising**

In 1963, for the first time, capital outlays by U.S. controlled foreign manufacturing companies are expected to exceed \$2 billion despite a leveling in investments by European affiliates, which are barely topping 1962 outlays. In other areas, however, investment activity appears to be stronger, particularly in Canada and Latin America, since 1963 outlays are expected to exceed the previous year's total by about \$50 million each.

The chemical industry which is raising capital investments by more than \$150 million this year, accounts for the major change in the manufacturing total. Outlays by other manufacturing industries are currently running near or below the 1962 levels. Capital investments in the transportation equipment industry, which had been rising rapidly in earlier years, are now \$60 million below the 1962 amounts with Common Market countries showing a drop of more than \$80 million, now that major expansion aims appear to have been met. However, these figures do not include purchases by U.S. companies of existing enterprises or minority interests.

New investment in Europe, which had risen by about \$100 million in 1962, remains practically unchanged at better than \$950 million in 1963, a little under half of the world total. A

decline in Common Market countries caused by a drop of investments in the transportation equipment industry is being balanced by higher outlays in other European countries, primarily in the United Kingdom. Plant and equipment expenditures by chemical companies (including sizable amounts for petrochemical firms largely financed by oil companies) are rising by more than 50 percent.

New capital investments in the United Kingdom and in Germany will account for over two-thirds of the funds now being invested by U.S. controlled companies in Europe. Higher outlays in 1963 were reported for other Common Market countries, except France, with investments for new chemical and other manufacturing facilities rising by more than 50 percent.

Not much change is foreseen by companies in projecting 1964 capital spending for Europe; chemical companies expect to raise investments further, but companies in the transportation equipment industry (primarily automobiles) predict another cut in their capital investment programs.

U.S. companies reported spending for new plant in Canada at the rate of \$520 million in 1963, 10 percent more than expenditures in 1962. This relative increase is in line with projections for all of Canadian industry. For U.S. companies there is a strong rise in outlays by chemical companies, which accounted for 25 percent of all U.S. manufacturing expenditures.

In Latin America, as in Canada, renewed highs for capital spending are tied to the rapidly expanding chemical companies, which expect to show a rise of 60 percent over 1962, to account for one-third of all manufacturing spending by U.S. companies in Latin America.

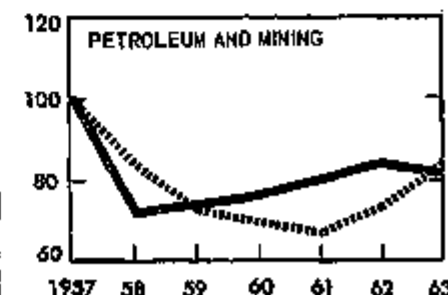
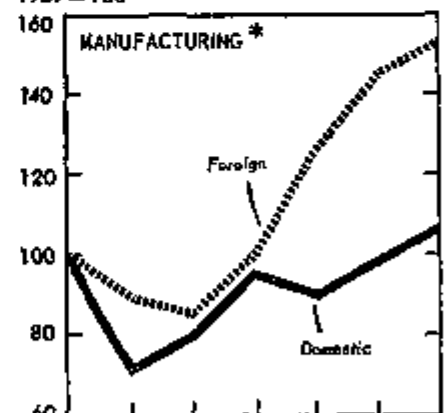
Most of the increase in manufacturing investment in Latin America is centered on Mexico, where expenditures for plant and equipment are rising rapidly; the total for 1964 now predicted is double 1962 outlays. Investments in other countries in South America and the Caribbean area, bolstered by a few major projects for fertilizer and other chemical plants in Argentina and Trinidad, showed little change for the year. The decline in

1964 totals is caused primarily by the completion of some of these major projects, rather than by a widespread decrease of investment activity, and remains well above the average of the 1957-62 period despite the disturbed political and economic conditions in some of these countries. Projected expenditures in Argentina are particularly affected by project terminations, and are dropping by 40 percent between 1962 and 1964. Outlays in Brazil in 1964 are expected at the 1962 level, somewhat down from the \$80 million for 1963.

In the rest of the world (Africa, Asia and Oceania), a sustained growth of manufacturing investments continues, with an increasing volume of investments going into the automotive and machinery industries, and into petrochemical and other chemical plants. About one-half of these outlays are being made in Australia, and investment spending is substantial in Japan and India.

**CAPITAL EXPENDITURES BY U.S. COMPANIES HERE AND ABROAD**  
Relative Movements of Plant and Equipment Outlays

1957=100



\* Excludes primary iron & steel, & petroleum  
U.S. Department of Commerce, Office of Business Economics 63-10-9

**Petroleum investments expanding**

Oil companies report current spending for plant and equipment of \$2 billion for 1963 and project expenditures of \$1.7 billion for 1964, not greatly different from the 1958-62 average. In addition to these capitalized expenditures and investments, companies also charged against income certain exploration and development costs. Figures for 1962 are shown below.

*Exploration and Development Expenditures Charged Against Income, 1962*

(Millions of dollars)

	Total	Petro- leum	Mining
All areas.....	411	371	40
Canada.....	187	127	30
Latin America.....	93	87	0
Europe.....	20	20	(*)
Other areas.....	111	127	4

(\*) Less than \$500,000.

Most of these investments and expenditures are being made in the Eastern Hemisphere, reflecting the continued construction and expansion of oil refining facilities in Europe and other areas, particularly the Far East, and the buildup of related transportation and marketing operations. Investment and expenditures made for new producing fields are particularly heavy in North Africa, but active search in other areas ranges from the North Sea to Australia.

**Mining investments decline**

Mining and smelting companies in Canada reported sharp drops from 1962 in projected capital investments for 1963 and 1964. Major mining projects for the development of iron ore deposits have either been completed, or are nearly complete, and few new ventures are taking their place. There is little prospect now of large scale mining developments in other minerals or metals in the near future.

In Latin America, little change is seen in the 1962-64 period in capital outlays for mining operations, with expenditures ranging between \$90 million and \$100 million annually. Major investment activities continue to center on Chile and Peru in the development of copper and iron ore properties, Jamaica (bauxite), and Venezuela (iron ore).

As for other areas, the development of bauxite and iron ore deposits is important in West Africa, and manganese and copper projects are being developed in Central and South Africa.

**Trade and other industries**

Plant and equipment expenditures of companies in trade and distribution are continuing the rising trend observed in earlier surveys. More than half of these expenditures are being made or projected for Europe.

Capital investments in the "other industries" group are being made at the rate of \$255 million in 1963, and

are projected downward to \$235 million for 1964. The 1963 total is about equally divided among three groups: agricultural enterprises, public utility companies, and engineering firms and other service industries.

Most of the agricultural expenditures are being made in Latin America (\$40 million), but capital outlays in Canada are also important, particularly for forest operations. The bulk of the public utility investments are also located in Latin America, where they now total about \$50 million. In Canada, public utility operations are frequently related to mining operations

**Table 1.—Plant and Equipment Expenditures of Direct Foreign Investments, by Country and Major Industry, 1961-64**

(Millions of dollars)

Area and country	1961 *			1962 *			1963 *			1964 *		
	Mining and smelting	Petroleum	Manufacturing	Mining and smelting	Petroleum	Manufacturing	Mining and smelting	Petroleum	Manufacturing	Mining and smelting	Petroleum	Manufacturing
All areas, total.....	312	1,321	1,697	371	1,543	2,342	321	1,960	2,057	258	1,653	1,971
Canada.....	103	315	385	130	325	470	145	358	520	115	315	431
Latin American Republics, total.....	41	267	245	93	267	274	70	276	311	82	272	288
Mexico, Central America and West Indies, total.....	8	21	47	5	31	51	5	27	39	5	23	100
Mexico.....	7	2	44	5	2	50	1	4	23	3	2	100
Other countries.....	1	19	3	(*)	24	1	4	23	(**)	2	21	(**)
South America, total.....	40	246	200	88	233	223	65	240	232	47	240	190
Argentina.....	(*)	60	94	(*)	35	115	(*)	24	102	(*)	27	71
Brazil.....	2	0	0	3	4	64	3	5	89	1	2	62
Chile.....	20	(*)	0	20	(*)	4	32	(*)	8	25	(*)	3
Colombia.....	(*)	30	11	(*)	32	7	(*)	31	9	(*)	10	14
Peru.....	27	10	10	27	0	0	18	10	3	9	10	3
Venezuela.....	(*)	135	17	(*)	145	35	(*)	173	26	(*)	154	20
Other countries.....	2	(*)	2	2	(*)	0	1	(*)	2	1	(*)	2
Other Western Hemisphere.....	23	39	1	32	62	7	36	33	16	38	38	3
Europe, total.....	1	433	547	4	494	940	4	643	933	2	680	933
Common Market, total.....	(**)	160	473	(**)	200	547	(**)	390	497	(**)	303	493
Belgium and Luxembourg.....	(**)	7	21	(**)	0	26	(**)	15	47	(**)	17	61
France.....	(**)	31	68	(**)	74	190	(**)	50	60	(**)	64	105
Germany.....	(**)	70	313	(**)	115	380	(**)	165	263	(**)	77	280
Italy.....	(**)	64	30	(**)	110	30	(**)	110	34	(**)	104	63
Netherlands.....	(**)	14	23	(**)	42	22	(**)	30	30	(**)	41	33
Other Europe, total.....	1	232	372	4	236	402	4	257	436	2	168	470
Denmark.....	(**)	10	7	(**)	30	2	(**)	6	2	(**)	13	1
Norway.....	(**)	7	0	(**)	7	11	(**)	43	12	(**)	6	10
Spain.....	(**)	13	0	(**)	30	14	(**)	29	15	(**)	13	13
Sweden.....	(**)	8	10	(**)	4	10	(**)	4	11	(**)	10	12
Switzerland.....	(**)	170	333	(**)	125	317	(**)	110	384	(**)	95	414
United Kingdom.....	(**)	32	4	(**)	22	10	(**)	23	7	(**)	24	8
Other countries.....	(**)	1	4	(**)	4	0	(**)	0	0	(**)	0	0
Africa, total.....	47	171	10	60	170	12	60	262	20	85	186	17
North Africa.....	(**)	111	(**)	(**)	137	(**)	(**)	101	(**)	(**)	134	(**)
West Africa.....	(**)	0	(**)	(**)	15	(**)	(**)	10	4	(**)	20	5
Central and South Africa, total.....	22	34	43	13	11	1	32	0	1	24	8	1
Union of South Africa.....	25	17	16	20	13	11	18	13	13	11	24	11
Other countries.....	10	8	14	(*)	11	15	(*)	13	6	(*)	11	11
Asia, total.....	(**)	465	114	1	478	112	1	331	142	(**)	289	136
Middle East.....	(**)	37	12	1	72	4	(**)	102	3	(**)	100	3
Far East, total.....	(**)	108	102	1	100	106	1	169	101	(**)	171	127
India.....	(**)	30	30	(**)	30	30	(**)	42	42	(**)	35	35
Japan.....	(**)	48	0	(**)	60	0	(**)	62	0	(**)	66	0
Philippines Republic.....	(**)	0	1	(**)	0	0	(**)	11	0	(**)	15	15
Other countries.....	(**)	0	0	(**)	0	0	(**)	0	0	(**)	0	0
Oceania, total.....	13	64	32	9	76	122	11	68	131	16	45	189
Australia.....	(**)	12	80	0	(*)	119	11	(*)	126	16	(*)	141
Other countries.....	(**)	0	2	(**)	0	3	(**)	0	0	(**)	0	0
International shipping.....	45	0	0	0	0	0	41	0	0	0	0	0

\* Included in area total. \*\* Less than \$500,000. \* Revised. \* Estimated on the basis of company projections.

Note.—Detail may not add to totals because of rounding.

Table 2.—Plant and Equipment Expenditures Abroad by U.S. Manufacturing Companies, by Area and Major Commodity, 1960-64

(Millions of dollars)

Areas and years	Total	Food products	Paper and allied products	Chemicals	Rubber products	Primary and fabricated metals	Machinery, excluding electrical	Electrical machinery	Transportation equipment	Other manufacturing
<b>All areas, total</b>										
1960.....	1,337	97	78	237	68	133	132	104	236	152
1961.....	1,697	110	71	278	91	160	205	141	473	155
1962.....	1,940	129	110	387	85	107	214	176	255	177
1963.....	2,057	141	115	482	88	141	213	155	328	185
1964.....	1,071	142	85	484	82	143	220	178	388	162
<b>Canada</b>										
1960.....	364	20	15	75	16	49	17	30	63	60
1961.....	385	20	51	55	18	65	40	31	60	32
1962.....	473	28	90	75	19	67	38	58	85	61
1963.....	620	32	93	125	19	66	42	50	90	63
1964.....	534	18	69	115	16	60	45	30	70	25
<b>Latin America<sup>1</sup></b>										
1960.....	207	24	7	49	12	11	8	18	57	31
1961.....	240	37	5	48	19	33	9	27	62	30
1962.....	281	35	0	52	12	20	30	25	61	40
1963.....	330	35	8	111	14	16	20	27	64	44
1964.....	288	30	7	77	14	18	13	20	61	45
<b>Europe</b>										
<b>Common Market</b>										
1960.....	328	17	2	44	11	18	72	21	126	39
1961.....	476	30	3	65	11	10	165	30	181	37
1962.....	647	35	4	64	20	26	85	44	245	35
1963.....	467	40	3	62	20	26	90	40	160	36
1964.....	482	41	1	65	24	20	98	35	126	30
<b>Other Europe</b>										
1960.....	260	18	8	42	16	40	24	18	74	35
1961.....	372	17	4	49	18	40	28	30	141	31
1962.....	402	19	6	51	12	40	05	41	173	36
1963.....	466	23	8	78	10	32	40	54	169	41
1964.....	470	36	8	81	15	33	67	48	163	41
<b>Other areas</b>										
1960.....	135	8	12	28	10	12	10	10	25	12
1961.....	216	12	5	63	28	20	13	17	39	13
1962.....	240	12	4	75	22	15	14	10	71	15
1963.....	254	12	6	90	28	13	16	24	77	10
1964.....	292	13	4	95	13	18	18	31	90	15

\* Revised. \* Estimated on the basis of company projections. 1 Includes other Western Hemisphere.

NOTE.—Detail may not add to totals because of rounding.

(railroads), or oil company activities (pipelines), but are classified as public utilities because they are common carriers.

#### Domestic and foreign capital outlays

With the rate of increase of foreign capital outlays for manufacturing plants and equipment by U.S. companies slowing somewhat in 1963, to a rate about equal to the rising domestic rate, the proportion of foreign to total capital outlays held steady at nearly 20 percent. In the mining and petroleum industries, the foreign segment of investment activity by U.S. companies has moved upward in the past two years, to about 37 percent in 1963.

Among the principal types of manufacturing, the foreign rate of expansion significantly exceeded the domestic rate in 1962 for chemicals, and was slightly higher for a number of others, but was considerably lower for transportation equipment.

#### Sources and Uses of Funds in 1962

Aggregate financing required by affiliates in the mining, petroleum and manufacturing industries totaled \$5.8 billion in 1962, after deducting \$2.8 billion used to pay out dividends and branch profits to the owners. The major requirement was for plant and equipment expenditures of nearly \$4.0 billion, which was about \$0.4 billion more than in 1961. In addition, \$1.8 billion was used to add to working capital (inventories, cash, and receivables) and to other assets. This amount was about \$0.2 billion less than in 1961, reflecting mainly a cutback by the petroleum companies.

Manufacturing affiliates abroad added substantially to their inventories in Canada in 1962, where business activity was strong, but reduced the rate of accumulation in Europe while there was a sharp gain in sales volume. Accounts receivable rose by \$0.7 billion, lower in most instances than the unusually large increases registered in 1961. Most of the falling off of capital requirements other than those for fixed investments was reported under the heading of "other assets," which includes not only

Table 3.—Plant and Equipment Expenditures of Direct Foreign Investments, Major Industries, 1957-64

(Millions of dollars)

Area and industry	1957	1958	1959	1960	1961 *	1962 *	1963 *	1964 *
<b>All areas, total</b>	4,810	4,097	3,795	3,780	4,122	4,264	4,928	4,527
Mining and smelting.....	421	429	437	424	312	371	531	238
Petroleum.....	2,222	1,841	1,583	1,407	1,534	1,638	1,930	1,683
Manufacturing.....	1,347	1,180	1,117	1,337	1,497	1,690	2,037	1,971
Trade.....	180	191	186	250	307	364	348	411
Other industries.....	543	452	365	303	272	297	256	254
<b>Canada, total</b>	1,603	1,311	1,179	1,258	1,418	1,161	1,181	1,022
Mining and smelting.....	163	172	240	200	165	132	156	115
Petroleum.....	584	610	380	300	315	325	360	315
Manufacturing.....	551	494	389	384	385	473	520	484
Trade.....	47	35	43	00	30	56	64	63
Other industries.....	238	170	125	105	112	105	82	66
<b>Latin America, total</b>	1,087	1,249	1,003	780	795	840	900	834
Mining and smelting.....	215	221	147	78	87	16	100	00
Petroleum.....	1,030	577	440	380	200	310	315	310
Manufacturing.....	174	292	193	207	280	281	320	288
Trade.....	20	31	31	35	45	40	48	35
Other industries.....	238	328	182	00	107	90	107	89
<b>Europe, total</b>	898	970	906	1,002	1,474	1,670	1,808	1,686
Mining and smelting.....	2	2	2	2	1	4	4	2
Petroleum.....	275	422	369	345	423	491	643	498
Manufacturing.....	497	460	450	808	847	940	953	902
Trade.....	107	87	101	125	175	200	181	225
Other industries.....	18	7	14	12	13	33	27	23
<b>Other areas, total</b>	810	611	617	688	637	693	1,040	983
Mining and smelting.....	40	27	48	50	50	79	62	51
Petroleum.....	424	315	290	422	475	495	612	512
Manufacturing.....	115	114	115	138	210	210	231	297
Trade.....	12	18	21	30	48	63	33	45
Other industries.....	40	37	43	30	40	30	29	28

\* Revised. \* Estimated on the basis of company projections. 1 Includes other Western Hemisphere.

NOTE.—Detail may not add to totals because of rounding.

cash but also acquisitions of other assets. Petroleum affiliates in oil producing countries in the Middle East and Far East accounted for much of this decline, since they had reported abnormally large amounts under this heading in 1961.

#### Sources of financing

The financing of foreign affiliates has shown a fairly steady trend toward a greater share of internal and foreign external sources of financing as compared with funds coming from the United States. The latter provided 24 percent of the financing required in the three major industries in the 1957-61 period, but only 16 percent in 1962. This trend reduces the capital outflow from the United States and therefore benefits the balance of payments accounts.

As used in the context of the sources and uses of funds the "funds from United States" tends to be lower than

the net capital outflow for direct investments shown in the balance of payments accounts. This is because the latter includes acquisitions of the stock of existing ventures or purchases of outstanding stock (neither of which supplies new funds to the foreign operating affiliates), and also counts as capital flows the entire increase in net foreign assets of branches; some of the increase in net branch assets is attributed to re-invested earnings in table 5. On the other hand, funds from the United States shown in table 5 include banking and commercial loans included as short-term or portfolio investments in the balance of payments accounts, and also some U.S. Government financing. The following table illustrates these relationships for 1962:

Reconciliation of Data on Capital Flows and Earnings, 1962

(Millions of dollars)

	Total, special industries	Mining and steeling	Transportation	Manufacturing
Net capital outflow appearing in balance of payments accounts.....	1,310	61	638	161
Less:				
Purchase of existing enterprises and minority interests.....	300	(x)	91	160
Retained branch profits.....	300	61	145	(x)
Plus:				
U.S. financing, other than parent.....	162	77	47	28
Other adjustments and residual.....	-91	-23	-73	5
Equals:				
Net funds from U.S. (table 6).....	923	94	273	554
Undistributed earnings of subsidiaries consistent with balance of payments account (table 1).....	724	56	148	521
Plus:				
Undistributed earnings of minority interests.....	165	46	12	126
Retained branch profits.....	190	51	145	(x)
Other adjustments and residual.....	-30	7	-47	1
Equals:				
Retained earnings as derived from table 6.....	1,070	160	258	600

(x) Not actually included in U.S. balance of payments account.  
(x) Negligible.

The data for earnings retained abroad also differ, in part because of the change in treatment of branch earnings mentioned above, and also because in the sources and uses context the foreign subsidiaries are treated as if they were wholly owned, so that retained earnings include a sizable portion accruing to foreign minority stockholders.

Funds obtained from external sources abroad are related more to working capital requirements than to plant and equipment expenditures, though there

is no necessary or direct link between specific sources and uses of funds. In 1962, as noted above, there was a reduction of about \$0.2 billion in the amount required for working balances, but there was a small increase of about \$50 million in foreign external financing. The differential movement was notable for the petroleum companies, which required \$300 million less for working capital, but increased their financing abroad by \$165 million. This net switch of \$485 million made possible a very considerable reduction in pressures on the U.S. balance of payments, since this industry reduced the use of funds for these foreign affiliates from the United States by a like amount.

For manufacturing companies the experience varied among areas, and in the aggregate foreign financing was reduced while working capital increased. In Europe a sizable decline in working capital needs was about matched by a drop in the amount obtained from foreign source financing, and in Canada a large increase in working capital was financed largely from local sources.

A partial breakdown of the types of financing from external sources abroad was obtained for the first time for 1962, and can be summarized as follows:

(Millions of dollars)

	Total	Mining and steeling	Transportation	Manufacturing
Total.....	1,447	47	406	994
Borrowing from financial institutions.....	288	4	102	147
Other increases in foreign liabilities.....	790	—	720	565
Funds obtained from foreign affiliates.....	21	23	0	-11
Issues of equity securities.....	203	14	92	200
Other foreign sources.....	127	7	87	43

The largest external source abroad, other increases in foreign liabilities, represents trade credits, accruing tax and other liabilities, and probably some long-term debt sold to the public. Borrowing from foreign financial institutions and issues of equity securities were also large, however, aggregating over \$0.5 billion. Europe accounted for about \$0.2 billion of this total and Canada for about \$150 million.

#### Internal sources largest

Funds generated by the earnings and depreciation charges of the foreign affiliates accounted for about 80 percent

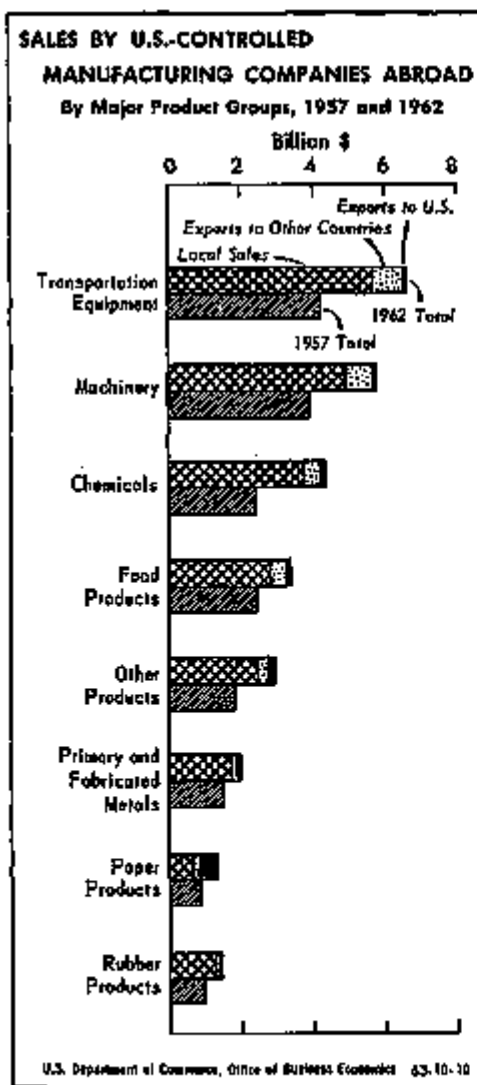


Table 4.—Domestic and Foreign Expenditures for Plant and Equipment in Selected Industries, 1961-63

[Millions of dollars]

Industry	Expenditures 1961				Expenditures 1962				Expenditures 1963*			
	Total	Domestic	Foreign	Percent of foreign to total	Total	Domestic	Foreign	Percent of foreign to total	Total	Domestic	Foreign	Percent of foreign to total
<b>Manufacturing</b>												
Food products	1,090	980	110	11	1,115	990	125	11	1,161	1,020	141	12
Paper and allied products	751	650	101	14	823	770	53	6	849	720	129	15
Chemicals	1,508	1,420	88	6	1,507	1,450	57	4	1,610	1,500	110	7
Plastic products	311	220	91	29	315	230	85	27	318	230	88	28
Primary and fabricated metals	1,030	920	110	11	1,007	920	87	9	1,211	1,100	111	9
Machinery, except electrical	1,205	1,100	105	9	1,451	1,370	81	6	1,389	1,270	119	9
Electrical machinery	541	490	51	9	546	490	56	10	615	550	65	11
Transportation equipment	1,403	1,130	273	20	1,836	1,300	536	29	2,028	1,500	528	26
<b>Selected industries, total</b>	<b>8,884</b>	<b>7,348</b>	<b>1,536</b>	<b>17</b>	<b>9,452</b>	<b>7,908</b>	<b>1,544</b>	<b>16</b>	<b>10,443</b>	<b>8,128</b>	<b>2,315</b>	<b>22</b>
<b>Mining and petroleum</b>	<b>5,680</b>	<b>3,748</b>	<b>1,932</b>	<b>34</b>	<b>5,951</b>	<b>3,908</b>	<b>2,043</b>	<b>34</b>	<b>6,451</b>	<b>4,238</b>	<b>2,213</b>	<b>34</b>

\* Estimated on basis of company projections. † Excludes primary iron and steel producers.

NOTE.—Foreign expenditures include acquisitions of existing fixed assets, which are excluded from the domestic series.

of all their financing in 1962, compared with about 53 percent of a smaller total in 1961. Depreciation charges increased by only a minor amount in 1962, mainly in the manufacturing sector. In the extractive enterprises there may have been a reduction in accelerated depreciation rates stemming from the Korean and Suez emergencies.

Retained earnings turned up sharply in all industries in 1962, accounting for about 19 percent of the funds used rather than the unusually small 14 percent reported in 1961. The increase in earnings retained abroad was about \$0.3 billion, out of a \$450 million increase in earnings. The ratio of earnings retained abroad to total earnings rose to about 28 percent.

### Sales from Foreign Plants

Production in foreign plants operated as direct investments of U.S. companies rose by \$2½ billion, or 10 percent, in 1962. This was the largest increase since the sharp expansion in 1960, and brought the total sales of these plants to \$28.1 billion.

Sales in Europe accounted for \$1.1 billion of the rise, with the increase spread rather evenly over a number of lines of manufacturing. For the individual countries, shown in table 7, strong advances were reported in Germany, France, Italy and the United Kingdom, with the overall rate of increase of about 10 percent exceeding the 6 percent rate of increase for European manufacturing production as a whole (including petroleum refining).

For Canada the companies reported a marked upturn in sales after a relatively slow rate of growth in the 1959-61 period, reflecting a broad expansion of the Canadian economy. Gains were largest in the automotive products group.

Sales in Latin America showed continued steady growth, with chemical production up by a considerable amount. Substantially expanded sales were reported for Brazil and Mexico, but sales in Argentina lagged reflecting generally depressed conditions in that country.

Most of the increase in manufacturing sales in the rest of the world was concentrated in Australia, with smaller increases in Japan and the Republic of South Africa.

Table 5.—Sources and Uses of Funds of Direct Foreign Investments, by Area and Selected Industry, 1960-1962

[Millions of dollars]

Area and industry	Total sources			Net income			Funds from United States			Funds obtained abroad †			Depreciation and depletion		
	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962
<b>All areas, total</b>	<b>7,346</b>	<b>8,217</b>	<b>8,537</b>	<b>3,250</b>	<b>3,381</b>	<b>3,333</b>	<b>1,416</b>	<b>1,248</b>	<b>923</b>	<b>1,017</b>	<b>1,331</b>	<b>1,147</b>	<b>1,927</b>	<b>2,196</b>	<b>2,334</b>
Mining and smelting	1,015	813	821	519	476	478	158	10	94	147	113	47	191	206	262
Petroleum	2,080	2,600	3,175	1,760	1,553	1,834	454	754	776	153	301	304	567	1,000	1,110
Manufacturing	3,309	3,728	4,041	1,370	1,333	1,531	434	490	354	717	917	834	779	880	1,022
<b>Canada, total</b>	<b>1,137</b>	<b>1,552</b>	<b>2,448</b>	<b>736</b>	<b>750</b>	<b>965</b>	<b>371</b>	<b>335</b>	<b>164</b>	<b>-23</b>	<b>320</b>	<b>304</b>	<b>603</b>	<b>637</b>	<b>685</b>
Mining and smelting	447	395	728	157	101	163	272	0	65	13	140	-26	75	80	95
Petroleum	519	524	533	430	399	438	138	160	60	45	20	74	207	217	240
Manufacturing	741	927	1,187	470	400	543	31	127	100	-80	60	245	320	340	350
<b>Latin America, total ‡</b>	<b>1,714</b>	<b>1,781</b>	<b>1,794</b>	<b>789</b>	<b>874</b>	<b>1,016</b>	<b>39</b>	<b>110</b>	<b>-23</b>	<b>377</b>	<b>746</b>	<b>523</b>	<b>522</b>	<b>577</b>	<b>576</b>
Mining and smelting	352	291	320	238	210	240	-60	-70	-28	0	10	31	92	102	80
Petroleum	730	916	854	380	477	617	24	34	-137	-24	-10	44	350	404	380
Manufacturing	632	574	611	170	178	309	125	95	162	277	276	147	80	105	110
<b>Europe, total</b>	<b>2,981</b>	<b>2,578</b>	<b>2,125</b>	<b>655</b>	<b>703</b>	<b>647</b>	<b>513</b>	<b>537</b>	<b>578</b>	<b>373</b>	<b>721</b>	<b>544</b>	<b>457</b>	<b>489</b>	<b>458</b>
Mining and smelting	11	8	8	10	8	6	(*)	(*)	(*)	-1	-2	1	0	0	1
Petroleum	133	770	727	87	87	74	273	340	233	-12	138	128	143	190	220
Manufacturing	1,497	1,800	1,600	540	617	567	240	227	245	385	583	393	310	300	237
<b>Other areas, total</b>	<b>1,793</b>	<b>2,068</b>	<b>2,309</b>	<b>1,022</b>	<b>1,038</b>	<b>1,205</b>	<b>73</b>	<b>317</b>	<b>256</b>	<b>252</b>	<b>263</b>	<b>327</b>	<b>346</b>	<b>382</b>	<b>411</b>
Mining and smelting	225	224	180	113	88	44	10	37	26	74	-16	40	22	24	20
Petroleum	1,158	1,470	1,301	740	790	684	10	248	137	144	161	150	253	285	290
Manufacturing	410	474	568	169	160	217	53	30	93	134	110	147	60	80	65

USES OF FUNDS

Area and industry	Total uses			Property, plant and equipment			Inventories			Receivables			Other assets ‡			Income paid out		
	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962
<b>All areas, total</b>	<b>7,346</b>	<b>8,217</b>	<b>8,537</b>	<b>3,250</b>	<b>3,544</b>	<b>3,953</b>	<b>703</b>	<b>441</b>	<b>680</b>	<b>780</b>	<b>699</b>	<b>338</b>	<b>776</b>	<b>484</b>	<b>2,260</b>	<b>2,622</b>	<b>2,757</b>	
Mining and smelting	1,015	813	821	420	312	371	90	27	41	37	18	43	41	37	44	413	302	330
Petroleum	2,080	2,600	3,175	1,402	1,634	1,650	20	85	50	104	282	203	28	318	1,271	1,367	1,080	
Manufacturing	3,309	3,728	4,041	1,407	1,607	1,919	577	379	650	624	470	200	731	294	575	620	671	
<b>Canada, total</b>	<b>1,137</b>	<b>1,552</b>	<b>2,048</b>	<b>1,031</b>	<b>888</b>	<b>993</b>	<b>32</b>	<b>122</b>	<b>210</b>	<b>284</b>	<b>166</b>	<b>180</b>	<b>174</b>	<b>173</b>	<b>296</b>	<b>488</b>	<b>502</b>	
Mining and smelting	447	395	720	290	163	383	32	11	10	10	0	25	48	16	94	81	95	
Petroleum	519	524	533	380	315	325	6	16	5	26	42	38	61	40	20	85	122	148
Manufacturing	741	927	1,187	580	583	578	30	106	192	40	122	108	70	30	207	280	280	
<b>Latin America, total ‡</b>	<b>1,714</b>	<b>1,781</b>	<b>1,794</b>	<b>826</b>	<b>615</b>	<b>685</b>	<b>124</b>	<b>37</b>	<b>85</b>	<b>354</b>	<b>224</b>	<b>186</b>	<b>25</b>	<b>144</b>	<b>384</b>	<b>684</b>	<b>734</b>	<b>730</b>
Mining and smelting	352	291	320	238	177	205	-18	0	31	-17	24	-60	30	34	251	214	170	
Petroleum	730	915	854	340	309	318	-34	-5	-10	106	110	10	-60	60	368	394	420	
Manufacturing	632	575	611	260	229	262	150	68	140	130	65	128	40	60	74	86	80	
<b>Europe, total</b>	<b>2,981</b>	<b>2,578</b>	<b>2,125</b>	<b>1,055</b>	<b>1,238</b>	<b>1,417</b>	<b>354</b>	<b>354</b>	<b>238</b>	<b>254</b>	<b>212</b>	<b>10</b>	<b>241</b>	<b>68</b>	<b>301</b>	<b>443</b>	<b>465</b>	
Mining and smelting	11	8	8	2	1	4	(*)	(*)	(*)	-3	-1	1	1	-2	0	0	5	
Petroleum	133	770	727	345	428	464	20	22	44	3	71	20	82	60	57	80	68	
Manufacturing	1,497	1,800	1,401	688	810	910	224	210	200	220	170	140	-30	108	205	374	382	
<b>Other areas, total</b>	<b>1,793</b>	<b>2,068</b>	<b>2,309</b>	<b>1,150</b>	<b>1,100</b>	<b>1,205</b>	<b>123</b>	<b>6</b>	<b>39</b>	<b>94</b>	<b>83</b>	<b>221</b>	<b>138</b>	<b>230</b>	<b>59</b>	<b>528</b>	<b>536</b>	<b>1,070</b>
Mining and smelting	225	224	180	113	88	70	10	0	17	10	-4	18	65	15	-3	0	0	0
Petroleum	1,158	1,470	1,301	422	478	406	10	5	16	31	45	163	190	200	22	676	761	815
Manufacturing	410	474	568	198	216	240	97	10	60	44	48	54	61	5	40	80	127	140

\* Less than \$500,000. † Revised. ‡ Includes miscellaneous sources. † Includes other Western Hemisphere.

\* Includes miscellaneous uses.

NOTE.—Detail may not add to totals because of rounding.

Comparisons of the sales data with the figures for net income show a slight improvement in the overall income/sales ratio to 5.44 percent in 1962 from 5.28 percent in 1961. The gain was primarily in Canadian operations; in Europe the ratio dropped sharply to 4.83 percent from 5.75 percent; rising costs were a significant factor in the European economy in 1962.

#### Destination of sales

Over 80 percent of the output from the foreign manufacturing plants in 1962 was sold in the domestic markets of the countries where the plants were located. The breakdown in table 8 shows that out of total foreign sales of \$28.1 billion, about \$1.4 billion came to the United States and \$3.2 billion were exported from the producing countries to other foreign countries.

Most of the sales to the United States originate in Canada, and consist primarily of such traditional items as food products, paper and other wood products, chemicals and metals. Imports from the European plants amounted to \$175 million, mainly chemicals and non-electrical machinery. For Latin America and other countries food products were the only sizable manufactured export to the United States.

These figures are comparable to those collected by a complete survey covering 1957, and show that in the 6-year period the increase in exports from U.S.-controlled plants abroad to the United States was only about \$250 million, and this was almost entirely for Canada. However, there was an increase of about \$1.5 billion in export sales among foreign countries, of which \$1.1 billion was reported for European countries and about \$0.3 billion for Latin America, mainly in foodstuffs. This indicates that the main impact on U.S. trade is on export trade rather than in the U.S. domestic market.

#### Exports and foreign production

For the group of major manufactured items included in table 9, sales from foreign plants of U.S. companies continued to grow considerably faster than exports from the United States in 1962. Since 1957, the value of foreign production has risen by over \$7 billion, while exports increased by a little over \$1 billion.

Table 6.—Sales by Direct Foreign Investments, Principal Commodities by Area, 1957 and 1959-62

(Millions of dollars)

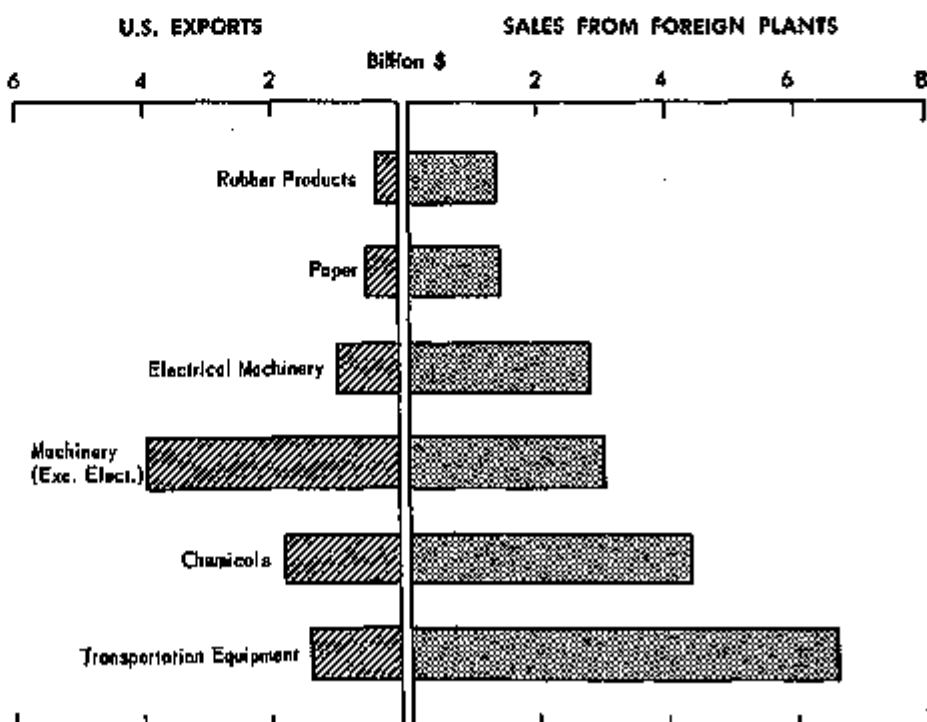
Areas and Years	Aluminum products, total	Food products	Paper and allied products	Chemicals	Rubber products	Primary and intermediate metals	Machinery excluding electrical	Electrical machinery	Transportation equipment	Other products
<b>All areas, totals</b>										
1957	18,331	2,457	881	2,411	948	1,648	1,003	2,017	4,328	1,889
1959	21,100	2,810	1,170	2,050	1,010	1,600	2,200	2,100	5,140	2,100
1960	23,670	2,930	1,260	3,200	1,170	1,680	2,400	2,280	6,170	2,310
1961	25,680	3,370	1,310	4,975	1,215	1,675	2,735	2,470	6,000	2,730
1962	23,120	3,235	1,420	4,400	1,360	2,025	3,015	2,525	6,405	3,010
<b>Canada:</b>										
1957	7,597	638	700	807	372	927	605	1,060	1,488	842
1959	8,670	1,002	1,030	1,020	290	950	700	1,050	1,400	880
1960	8,920	1,020	1,100	1,150	310	920	780	1,040	1,650	950
1961	8,820	1,015	1,115	1,300	285	915	750	1,000	1,460	905
1962	6,610	1,115	1,100	1,245	360	1,065	700	1,115	1,730	1,030
<b>Latin America:<sup>1</sup></b>										
1957	2,438	608	66	400	230	111	60	100	375	202
1959	2,830	740	60	280	260	100	80	100	470	310
1960	3,180	730	70	290	280	100	100	240	710	310
1961	3,770	780	85	820	300	110	115	300	770	440
1962	4,190	820	120	1,000	300	100	110	375	780	530
<b>Europe:</b>										
1957	6,318	721	34	622	262	435	1,000	675	1,700	639
1959	7,700	700	50	1,070	200	470	1,210	770	2,350	740
1960	8,310	900	60	1,210	370	500	1,420	880	2,970	880
1961	10,670	1,120	70	1,410	400	600	1,625	1,050	3,070	1,125
1962	11,780	1,180	80	1,750	400	716	1,800	1,220	3,280	1,220
<b>Other areas:</b>										
1957	1,085	188	23	103	105	75	133	95	605	110
1959	1,010	250	30	240	200	70	150	110	730	140
1960	2,160	250	30	280	220	70	100	110	840	170
1961	2,220	275	40	315	220	85	225	120	710	200
1962	2,540	205	00	395	215	85	265	125	870	230

<sup>1</sup> Includes other Western Hemisphere.

Sources: U.S. Department of Commerce, Office of Business Economics.

### COMPANIES WITH DIRECT INVESTMENTS ABROAD

Exports of Principal Manufactures From the United States Compared With Sales From U.S.-Controlled Foreign Plants—1962



U.S. Department of Commerce, Office of Business Economics

63-10-11



During 1962, foreign production grew four times as much as exports, with only non-electrical machinery showing greater gains in exports than production abroad. The greatest contrast in sales patterns was in chemicals and transportation equipment, both of which were produced in much greater volume in foreign plants in 1962, but showed only minor export increases.

Of course, production in foreign plants requires a considerable exportation from the United States of materials and parts, as well as capital equipment. Data for these related exports will be available from a recently initiated annual survey, making it possible to evaluate more accurately the changes in trading patterns connected with the establishment of foreign producing units.

Table 7.—Sales by Direct Investment Manufacturing Enterprises Abroad by Selected Countries and Years  
(Millions of dollars)

Area and country	1957	1959	1960	1961	1962
All areas, total.....	16,321	21,700	20,620	25,539	28,150
Canada.....	7,897	8,470	8,620	8,625	9,520
Latin America, total.....	2,435	2,830	3,190	3,770	4,120
Argentina.....	385	420	454	503	506
Brazil.....	630	714	870	910	1,125
Mexico.....	645	751	770	830	1,020
Venezuela.....	285	341	300	370	400
Other countries.....	490	325	475	656	780
Europe, total.....	5,319	7,490	9,340	10,470	11,758
Belgium, Netherlands and Luxembourg.....	410	401	492	740	800
France.....	700	780	935	1,195	1,440
Germany.....	1,110	1,672	1,835	2,303	2,600
Italy.....	230	244	330	473	575
United Kingdom.....	2,303	4,060	4,715	5,070	5,305
Other countries.....	485	374	843	935	1,100
Other areas, total.....	1,065	1,910	2,160	2,230	2,540
Australia.....	767	893	1,035	1,045	1,200
Japan.....	247	240	200	380	440
Philippines Republic.....	118	143	140	100	105
Republic of South Africa.....	300	202	305	335	365
Other countries.....	243	304	348	300	380

Table 8.—Local Sales and Exports by Direct Investment Manufacturing Enterprises Abroad, Principal Commodities by Area, 1962  
(Millions of dollars)

Area and industry	Total sales	Local sales	Exported to U.S.	Exported to other countries
All areas, total.....	28,120	23,550	1,550	3,220
Food products.....	3,385	2,870	105	410
Paper and allied products.....	1,420	715	580	125
Chemicals.....	4,408	2,795	110	445
Rubber products.....	1,303	1,270	10	23
Primary and fabricated metals.....	2,625	1,755	125	145
Machinery, excluding electrical.....	3,015	2,335	100	580
Electrical machinery.....	7,865	2,555	15	373
Transportation equipment.....	8,040	5,715	85	805
Other products.....	3,010	2,590	170	340
Canada, total.....	9,520	8,695	1,080	445
Food products.....	1,115	1,035	30	50
Paper and allied products.....	1,160	480	290	100
Chemicals.....	1,245	1,115	100	30
Rubber products.....	360	350	5	5
Primary and fabricated metals.....	1,065	985	120	40
Machinery, excluding electrical.....	750	680	50	60
Electrical machinery.....	1,115	1,055	5	25
Transportation equipment.....	1,730	1,190	45	55
Other products.....	1,000	845	145	70
Latin America, total.....	4,120	3,705	30	185
Food products.....	830	545	35	250
Paper and allied products.....	130	110	10	10
Chemicals.....	1,000	940	10	50
Rubber products.....	300	295	5	5
Primary and fabricated metals.....	170	155	5	5
Machinery, excluding electrical.....	110	105	5	5
Electrical machinery.....	375	355	5	20
Transportation equipment.....	735	700	5	30
Other products.....	620	600	5	10
Europe, total.....	11,758	9,235	175	2,330
Food products.....	1,135	1,130	5	30
Paper and allied products.....	90	70	10	10
Chemicals.....	1,710	1,300	50	350
Rubber products.....	400	385	5	70
Primary and fabricated metals.....	715	610	5	100
Machinery, excluding electrical.....	1,520	1,340	60	480
Electrical machinery.....	1,230	900	10	220
Transportation equipment.....	2,280	2,440	40	800
Other products.....	1,230	970	10	250
Other areas, total.....	2,540	2,305	55	120
Food products.....	205	190	45	60
Paper and allied products.....	60	55	5	5
Chemicals.....	305	280	15	15
Rubber products.....	245	230	5	5
Primary and fabricated metals.....	85	85	5	5
Machinery, excluding electrical.....	305	290	5	5
Electrical machinery.....	125	115	5	10
Transportation equipment.....	320	280	10	10
Other products.....	230	210	10	10

Table 9.—Exports from the United States and Sales by Direct Investment Enterprises Abroad of Selected Manufactures, by Area, 1957, 1961-62  
(Millions of dollars)

Commodity	All areas, total			Canada			Latin America <sup>1</sup>			Europe			Other areas		
	1957	1961	1962	1957	1961	1962	1957	1961	1962	1957	1961	1962	1957	1961	1962
Selected manufactures:															
Foreign sales.....	12,438	17,705	10,790	3,201	5,020	5,400	1,424	2,300	2,480	1,505	7,735	8,660	1,308	1,800	1,890
U.S. exports.....	7,650	8,225	8,781	1,850	1,764	1,977	2,633	2,123	2,100	1,324	2,285	2,490	1,708	2,058	2,255
Paper and allied products:															
Foreign sales.....	881	1,310	1,420	762	1,115	1,200	55	85	120	31	70	80	23	40	60
U.S. exports.....	325	453	467	85	75	70	97	100	93	51	170	173	71	100	115
Chemicals:															
Foreign sales.....	2,411	3,975	4,400	897	1,380	1,215	408	520	1,080	822	1,510	1,700	193	240	305
U.S. exports.....	1,376	1,708	1,771	240	280	287	457	379	419	253	574	600	330	471	455
Rubber products:															
Foreign sales.....	908	1,216	1,305	272	295	300	238	340	360	303	400	400	198	230	245
U.S. exports.....	300	330	332	43	48	54	82	83	65	67	121	110	95	68	94
Machinery, except electrical:															
Foreign sales.....	1,905	2,735	3,015	895	700	740	86	115	110	1,009	1,535	1,850	135	220	285
U.S. exports.....	1,100	3,655	3,927	670	700	647	1,007	859	844	507	1,047	1,145	710	923	1,091
Electrical machinery:															
Foreign sales.....	2,647	2,470	2,835	1,055	1,115	1,115	185	300	378	479	1,000	1,220	98	130	125
U.S. exports.....	840	807	916	240	223	250	391	204	225	114	212	243	100	185	185
Transportation equipment:															
Foreign sales.....	4,225	6,000	6,685	1,468	1,400	1,730	375	770	785	1,900	3,870	3,280	685	710	870
U.S. exports.....	1,040	2,281	1,378	363	350	463	719	408	483	191	162	145	380	262	303

<sup>1</sup> Includes other Western Hemisphere. <sup>2</sup> Excludes civilian aircraft.  
Notes.—Detail may not add to totals because of rounding.

<sup>1</sup> Includes other Western Hemisphere.